



February 27, 2015

To: Executive Board

Subject: **February 2015 Legislative Summary**

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### **Recommendation**

Receive and file the February 2015 Legislative Summary. Adopt a support position on H.R. 680.

### **Analysis**

A summary of state and federal legislation and its status is attached. Board members should note that staff recommends a support position on H.R. 680 (Blumenauer, Oregon).

### ***State Legislative Issues:***

On January 9, Governor Brown released his proposal for a FY 2015-16 State Budget. In the transportation area the Governor's Budget identifies a problem more on the "traditional" infrastructure side – highways, streets & roads, and bridges – than on the public transportation side of the equation. Specifically, the Budget notes that the Administration has been working toward building a robust, multi-modal, and sustainable transportation infrastructure by advancing high-speed rail and creating new funding programs for transit, bicycling, and walking. "However," says the Budget, "the state continues to face ongoing funding challenges in the tens of billions of dollars for the maintenance and repair of core infrastructure which are state highways, roads, and bridges."

The sales tax on diesel projections contained in the Budget yield the following estimates for the State Transit Assistance (STA) Program:

- 2014-15 – The current year projection is now \$ 385,933,362, up about \$6.5 million from the 2014 May Revision estimate of \$379,400,000;
- 2015-16 – The budget year projection is for a \$387,798,000 Program, a less-than-1% increase above the current year estimate.

The Governor's Budget includes \$1.002 billion in anticipated revenue from Cap and Trade from four allowance auctions during the fiscal year. The growth in anticipated revenues from 2014-15 is due in large part to the



addition of transportation fuels to the Cap and Trade program. Of the anticipated funds, 60 percent was committed for four specific programs as part of last year's budget: 25 percent for high-speed rail; 20 percent for affordable housing & sustainable communities; and 15 percent for transit and intercity rail. The remaining 40 percent is appropriated during the budget process. In 2015-16, the Governor has proposed to once again use this funding for low carbon transportation, energy efficiency & clean energy, and natural resources & waste diversion.

Of the transportation related programs funded through the ongoing allocation of Cap and Trade revenues, there is a steady increase in the amount of funding available to each of the aforementioned programs, as follows:

- Low-Carbon Transit Operations – \$50 million (\$25 million in 2014-15);
- Transit and Intercity Rail Capital Program – \$100 million (\$25 million in 2014-15);
- Affordable Housing and Sustainable Communities – \$200 million (\$130 million in 2014-15); and,
- High-Speed Rail – \$250 million (\$250 million in 2014-15).

The Governor also proposes to once again appropriate \$200 million to Low-Carbon Transportation, a portion of which will be dedicated to zero-emission bus programs.

The Governor clearly signals that additional borrowing through bonds would not be appropriate, not only because the funding gap is an ongoing one, but also because roughly one out of every two dollars spent on bond-funded infrastructure goes to pay interest costs rather than construction costs, and currently 9 percent of total transportation revenues are spent on debt service.

The Budget points to two existing efforts to address some of these needs, pointing out that the state has already started to explore new and expanded financing strategies for the state's ongoing maintenance and repair needs, including:

- Road Usage Charge Pilot Program — The Budget proposes five positions and \$9.4 million in State Highway Account funding to implement a Road Usage Charge Pilot Program pursuant to Chapter 835, Statutes of 2014 (SB 1077). The purpose of this pilot program is to



explore a potential mileage-based revenue collection system, or Road Usage Charge, to support maintenance and operations of California's roads and highways as a possible replacement to the gasoline tax system currently in place. A final report and recommendations, based on the results of the pilot, is due no later than June 30, 2018.

- **Toll Roads** — The state highway system currently includes high-occupancy vehicle lanes, the access to which is limited during rush hours to only those vehicles with two or more passengers. This often leaves unused capacity in these lanes. By converting these lanes to high-occupancy toll lanes and opening these lanes to paying drivers, the state is able to better maximize capacity as well as generate additional revenues.

The budget concludes that “these funding strategies alone are not sufficient to address the state’s ongoing maintenance and repair needs” and states that “the state must consider other funding options to provide for the long-term sustainability of the state’s core highway system.” The solution must address the deferred maintenance needs of the highway system, key freight corridor investments, and include an ongoing pay-as-you-go funding structure that aligns funding with use of the system.

With regard to vehicle weight fees, the Budget notes, “As the state explores options for maintaining state highways and investing in key trade corridors, it is appropriate to consider the weight of vehicles, which is directly related to the wear and tear on the state’s highway system.”

### ***Federal Legislative Issues:***

Our transportation infrastructure is increasingly outdated and inadequate. In 2011, the Federal Highway Administration (FHWA) estimated that over \$70.9 billion worth of repairs are needed merely to maintain safe bridges. Inflation and increased fuel efficiency has led to declining gas tax receipts and the gas tax has lost nearly 40 percent of its purchasing power since it was last raised in 1993. The decline will continue as cars become more efficient and people drive less. Vehicle miles traveled per capita declined in 2013 for the ninth year in a row. To maintain current funding levels, the HTF will need \$100 billion in addition to current tax receipts in the next five years. Failure to act will result in a 30 percent reduction in federal transportation spending over the next decade. H.R. 680The Update, Promote, and Develop America's Transportation Essentials (UPDATE) Act (Blumenauer, D-OR), would phase in a nickel a gallon tax increase over each of the next three years on gasoline





and diesel that would be dedicated to public transportation and highway programs, index those taxes to inflation and examine ways to replace the taxes with a longer-term stable source of funding.

The 114th Congress met for the first time Tuesday, January 6, beginning with the election of a Speaker of the House. As expected, Representative John Boehner was elected to his third term in this post as the highest Congress Member in the House of Representatives. He then swore in the House Members who were elected in November. Representative Kevin McCarthy of California was selected as Majority Leader again, as was Representative Steve Scalise as Majority Whip. Democrats selected Representative Nancy Pelosi as Minority Leader with Representative Steny Hoyer as the Minority Whip.

President Obama has included \$478 billion for a proposed six-year surface transportation authorization bill, including \$144 Billion for Transit. This is a reworked version of the four-year GROW AMERICA Act proposed last year, now in the \$4 Trillion Fiscal Year 2016 Budget. The budget includes \$94.7 billion in discretionary and mandatory funding for the Department of Transportation for FY 2016.

Senator Barbara Boxer, past Chairwoman and current Ranking Member of the Senate Environment and Public Works Committee, announced that she will not seek a fifth term next election cycle. She will continue to serve the remainder of the 114th Congress, leaving an open seat for California in the 2016 election. As Chairwoman of the committee, she was an author of the Moving Ahead for Progress in the 21st Century Act, or MAP-21. This legislation authorized \$105 billion over two years for surface transportation projects throughout the country. Senator Boxer and her staff were easy to work with and made the transportation needs of California a priority. She will be missed as a leader for national transportation issues. We can expect an interesting and diverse group of people to emerge as candidates to take over the seat she has held since January, 1993.

### **Budget Impact**

H.R. 680 has no budget impact at this time.

Sincerely,

David Reyno  
Director of Government Relations

Doran J. Barnes  
Executive Director

## 2015 Legislation Summary

Current as of 2/13/2015

(Amendments and Bills with updated status or requesting action are indicated in **bold**)

Bill No.	Author	Analysis	Potential Impacts	Location	Outside Agency Positions	Recommended Position
H.R. 680	Blumenauer	Our transportation infrastructure is increasingly outdated and inadequate. In 2011, the Federal Highway Administration (FHA) estimated that over \$70.9 billion worth of repairs are needed merely to maintain safe bridges. Inflation and increased fuel efficiency has led to declining gas tax receipts and the gas tax has lost nearly 40% of its purchasing power since it was last raised in 1993. The decline will continue as cars become more efficient and people drive less. Vehicle miles traveled per capita declined last year for the ninth year in a row. Because Congress has not addressed the Highway Trust Fund's (HTF) insolvency, the fund will be exhausted this summer and states will begin cutting back on projects. To maintain current funding levels, the HTF will need \$100 billion in addition to current tax receipts in the next five years. Failure to act will result in a 30% reduction in federal transportation spending over the next decade. The Update, Promote, and Develop America's Transportation Essentials (UPDATE) Act (Blumenauer (D-OR), would phase in a nickel a gallon tax increase over each of the next three years on gasoline and diesel that would be dedicated to public transportation and highway programs, index those taxes to inflation and examine ways to replace the taxes with a longer-term stable source of funding.	A consistent, reliable and stable federal funding program would allow Foothill Transit and all U.S. transportation agencies and companies to budget for the long term.	House Committee on Ways and Means	APTA - Supports	Support